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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके ।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

RAJYA SABHA

The following Bill was introduced in the Rajya Sabha on the 9th December, 1986:—

BILL No. XLV OF 1986

A Bill further to amend the Khadi and Village Industries Commission Act, 1956.

BE it enacted by Parliament in the Thirty-seventh Year of the Republic of India as follows:—

Short title and commencement.

1. (*1*) This Act may be called the Khadi and Village Industries Commission (Amendment) Act, 1986.

(*2*) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act.

Amendment of section 2.

2. In section 2 of the Khadi and Village Industries Commission Act, 1956 (hereinafter referred to as the principal Act),— 61 of 1956.

(*a*) after clause (*c*), the following clause shall be inserted, namely:—

'(cc) "fixed capital investment" includes investment in plant and machinery and land and building of an industry;';

(*b*) in clause (*e*), the words "and the vice-chairman" shall be omitted;

(*c*) after clause (*f*), the following clause shall be inserted, namely:—

'(*ff*) "rural area" means the area comprised in any village, and includes the area comprised in any town, the population of which does not exceed ten thousand or such other figure as the Central Government may specify from time to time;';

(*d*) in clause (*g*), for the words "appointed under section ", the words "referred to in section 4" shall be substituted;

(*e*) clause (*gg*) shall be omitted;

(*f*) for clause (*h*), the following clause shall be substituted, namely:—

'(*h*) "village industry" means,—

(*i*) any industry located in a rural area which produces any goods or renders any service with or without the use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed fifteen thousand rupees or such other sum as may, by notification in the Official Gazette, be specified from time to time by the Central Government:

Provided that any industry specified in the Schedule and located in an area other than a rural area and recognised as a village industry at any time before the commencement of the Khadi and Village Industries Commission (Amendment) Act, 1986 shall, notwithstanding anything contained in this sub-clause, continue to be a village industry under this Act;

(*ii*) any other non-manufacturing unit established for the sole purpose of promoting, maintaining, assisting, servicing (including mother units) or managing any village industry;'.

Omission of section 3.

3. Section 3 of the principal Act shall be omitted.

Amendment of section 4.

4. In section 4 of the principal Act, for sub-sections (*2*) and (*3*), the following sub-sections shall be substituted, namely:—

"(*2*) The Commission shall consist of the following members appointed by the Central Government, namely:—

(*a*) six members representing such six geographical zones of the country, as may be prescribed;

(*b*) four members having expert knowledge and experience in one or more of the following disciplines, namely:—

Economics, Planning, Rural Development, Science and Technology or Technical Education and Training;

(*c*) one Financial Adviser, who shall also be the Chief Accounts Officer of the Commission; and

(*d*) a Chief Executive Officer who shall also be the Secretary of the Commission.

(*3*) The Central Government may appoint one of the members appointed under clause (*a*) of sub-section (*2*) to be the chairman who shall be a full-time member.".

Substitution of new sections for sections 5 and 6.

5. For sections 5 and 6 of the principal Act, the folowing sections shall be substituted, namely:—

Powers and functions of the Chief Executive Officer.

"5. (*1*) The Chief Executive Officer appointed under clause (*d*) of sub-section (*2*) of section 4 shall exercise powers of general superintendence over the affairs of the Commission and its day-to-day management under the direction and control of the chairman.

(*2*) The Chief Executive Officer shall be responsible for the furnishing of all returns, reports and statements required to be furnished to the Central Government under section 24.

(*3*) It shall be the duty of the Chief Executive Officer to place before the Commission for its consideration and decision any matter of financial import if the Financial Adviser suggests to him in writing that such matter be placed before the Commission.

Powers and functions of the Financial Adviser.

5A. The Financial Adviser appointed under clause (c) of sub-section (*2*) of section 4 shall be in charge of all financial matters of the Commission including its budget, accounts and audit and it shall be the duty of the Financial Adviser to bring to the notice of the Commission through the Chief Executive Officer any matter of financial import, which, in his opinion, requires consideration and decision by the Commission.

Disqualifications for membership of the Commission.

6. A person shall be disqualified for being appointed as, and for being, a member of the Commission—

(*a*) if he is, or is found to be a lunatic or a person of unsound mind; or

(*b*) if he has been adjudged insolvent; or

(*c*) if he has been convicted of an offence involving moral turpitude; or

(*d*) if he has any financial interest in any subsisting contract made with or in any work being done by the Commission, except as a shareholder (other than a Director), in a company as defined in section 3 of the Companies Act, 1956:

1 of 1956.

Provided that where he is a shareholder, he shall disclose to the Central Government, the nature and extent of shares held by him in such a company; or

(*e*) if he has any financial interest in any business undertaking dealing with or any other village industry specified or deemed to be specified in the Schedule to the Act.

Removal of Chairman, Member, etc., from the Commission.

6A. The Central Government may, by notification in the Official Gazette, remove from office any member of the Commission who—

(*a*) is or becomes subject to any of the disqualifications mentioned in section 6; or

(*b*) in the opinion of the Central Government has failed or is unable to carry out his duties; or

(*c*) absents himself from three consecutive meetings of the Commission without the leave of the Commission:

Provided that before issuing any such notification, the Central Government shall give an opportunity to the member concerned to show cause against such removal.".

Amendment of section 12.

6. In section 12 of the principal Act, for sub-section (*2*), the following sub-section shall be substituted namely:—

"(*2*) The chairman or, in his absence, any member chosen by the members present from among themselves, shall preside at a meeting of the Commission.".

Substitution of new section for section 13.

7. For section 13 of the principal Act, the following section shall be substituted, namely:—

Term of office and conditions of service of the Chairman and other members.

"13. (*1*) Every member of the Commission including the chairman shall hold office for a term of five years:

Provided that the chairman shall, notwithstanding the expiration of his term, continue to hold office until his successor enters upon his office.

(*2*) The terms and conditions of service of the chairman, Chief Executive Officer, Financial Adviser and other members shall be such as may be prescribed.".

Amendment of section 14.

8. In section 14 of the principal Act,—

(*a*) sub-section (*1*) shall be omitted;

(*b*) in sub-section (*2*), the brackets and figure "(*2*)" and the proviso shall be omitted.

Substitution of new section for section 15.

9. For section 15 of the principal Act, the following section shall be substituted, namely:—

Functions of the Commission.

"15. (*1*) Subject to the provisions of this Act, the functions of the Commission shall generally be to plan, promote, organise and assist in the establishment and development of khadi and village industries in the rural area in coordination with other agencies engaged in rural development wherever necessary.

(2) In particular and without prejudice to the generality of the foregoing power, the Commission may take such other steps as it may think fit,—

(a) to plan and organise training of persons employed or desirous of seeking employment in khadi and village industries;

(b) to build up reserves of raw materials and implements and supply them to persons engaged or likely to be engaged in production of handspun yarn or khadi or village industries at such rates as the Commission may decide;

(c) to encourage and assist in the creation of common service facilities for the processing of raw materials or semi-finished goods and for otherwise facilitating production and marketing of khadi or products of village industries;

(d) to promote the sale and marketing of khadi or products of village industries or handicrafts and for this purpose forge links with established marketing agencies wherever necessary and feasible;

(e) to encourage and promote research in the technology used in khadi and village industries, including the use of non-conventional energy and electric power with a view to increasing productivity, eliminating drudgery and otherwise enhancing their competitive capacity and to arrange for dissemination of salient results obtained from such research;

(f) to undertake directly or through other agencies studies of the problems of khadi or village industries;

(g) to provide financial assistance to institutions or persons engaged in the development and operation of khadi or village industries and guide them through supply of designs, prototypes and other technical information for the purpose of producing goods and services for which there is effective demand in the opinion of the Commission;

(h) to undertake experiments or pilot projects which in the opinion of the Commission are necessary for the development of khadi and village industries;

(i) to establish and maintain separate organisations for the purpose of carrying out any or all of the above matters;

(j) to promote and encourage cooperative efforts among the manufacturers of khadi or persons engaged in village industries;

(k) to set up standards of quality and ensure that products of khadi and village industries do conform to the said standards, including issue of certificates or letters or recognition to the concerned persons; and

(l) to carry out any other matters incidental to the above.".

Amendment of section 17A.

10. In section 17A of the principal Act, for the words "or the development of village industries", the words "the development of village industries or the development of khadi and village industries" shall be substituted.

Amendment of section 18.

11. In section 18 of the principal Act, for sub-sections (*1*), (*1A*) and (*1B*), the following sub-sections shall be substituted, namely:—

"(*1*) The Commission shall have three separate funds to be called the khadi fund, the village industries fund and the general and miscellaneous fund.

(*1A*) There shall be credited,—

(*a*) to the khadi fund, all sums received by the Commission for the purposes relating to khadi;

(*b*) to the village industries fund, all sums received by the Commission for the purposes relating to village industries and products of handicrafts;

(*c*) to the general and miscellaneous fund, all other sums received by the Commission:

Provided that if the amount available in any of the said funds is in excess of the requirements of that fund and the amount available in any other of the said funds is insufficient to meet the requirements of that fund, the Commission may, with the previous approval of the Central Government, transfer from the first mentioned fund the excess amount or such part thereof as may be necessary to the other fund.

Explanation.—For the purpose of computing the amount in any of the said funds, the amount received under section 17A shall not be taken into account.

(*1B*) The sums credited under sub-section (*1*),—

(*a*) to the khadi fund, shall be applied for the purposes relating to khadi;

(*b*) to the village industries fund, shall be applied for the purposes relating to village industries and products of handicrafts;

(*c*) to the general and miscellaneous fund, shall be applied for the purposes relating to khadi and village industries and for meeting the salary, allowances and other remuneration of the members, officers and other employees of the Commission and other administrative expenses of the Commission.".

Amendment of section 19A.

12. In section 19A of the principal Act, in sub-section (*1*), for the words "two funds", the words "three funds" shall be substituted.

Amendment of section 20.

13. In section 20 of the principal Act,—

(*a*) in sub-section (*1*),—

(*i*) for the words "two separate budgets", the words "three separate budgets" shall be substituted;

(*ii*) for the words "and the village industries budget", the words ", the village industries budget and the general and miscellaneous budget" shall be substituted;

(*iii*) for the words "and village industries respectively", the words ", village industries and products of handicrafts and khadi and village industries respectively" shall be substituted;

(*b*) for sub-section (*3*), the following sub-section shall be substituted, namely:—

'(*3*) The Commission may within the respective limits of the khadi budget, the village industries budget and the general and miscellaneous budget, sanction any reappropriation from one head of expenditure to another or from a provision made for one scheme to that in respect of another, but subject to the proviso to sub-section (*1*) of section 18, in no case shall a reappropriation of fund be made from one budget to any of the other two budgets:

Provided that no reappropriation from the head "Loan" to any other head of expenditure and *vice versa* in any of the budgets shall be sanctioned by the Commission, except with the previous approval of the Central Government'.;

(*c*) in sub-section (*4*), for the words "either budget", the words "the budget" shall be substituted.

14. In section 26 of the principal Act,— Amendment of section 26.

(*a*) in sub-section (*2*),—

(*i*) for clause (*a*), the following clause shall be substituted, namely:—

"(*a*) the manner of filling casual vacancies among the members of the Commission and the terms and conditions of service of the chairman, the Chief Executive Officer, the Financial Adviser and other members of the Commission including the salary and allowances to be paid to them and the travelling and daily allowances to be drawn by them when they are on tour;";

(*ii*) in clause (*b*), the words "the disqualifications for membership of the Commission and" shall be omitted;

(*iii*) clause (*cc*) and clause (*d*) shall be omitted;

(*b*) sub-section (*3*) shall be omitted.

15. In section 27 of the principal Act,— Amendment of section 27.

(*a*) in sub-section (*2*), in clauses (*a*) and (*c*), for the words "the Secretary", the words "the Chief Executive Officer" shall be substituted; and

(*b*) after sub-section (*2*), the following sub-section shall be inserted and shall be deemed always to have been inserted, namely:—

"(*2A*) The power to make regulations under this section with respect to the terms and conditions of service and the scales of pay and pension to be paid to the employees of the Commission

shall include the power to give retrospective effect from a date not earlier than the commencement of this Act, to such regulations or any of them but no retrospective effect shall be given to any such regulation so as to prejudicially affect the interest of any person to whom such regulation may be applicable.".

Insertion of new section 28.

16. In the principal Act, after section 27, the following section shall be inserted, namely:—

Rules and regulations to be laid before Parliament.

"28. Every rule and every regulation made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation.".

Amendment of the Schedule.

17. In the Schedule to the principal Act, for the heading "[*See* sections 2(*h*) and 3(1)]", the heading "[*See* section 2(*h*)]" shall be substituted.

STATEMENT OF OBJECTS AND REASONS

The Khadi and Village Industries Commission (the KVIC) is a statutory body established under the Khadi and Village Industries Commission Act, 1956 (61 of 1956).

2. In order to advise the Government on the role of KVIC in promoting the development and growth or Khadi and Village Industries sector and also to review the organisational structure, etc., of the Commission, an expert Committee was set up by the Government. Most of the recommendations of the Committee have been accepted by the Government and the proposed amendments to the KVIC Act seek to modify the relevant provisions of the KVIC Act for giving effect to the decision.

3. In order that KVIC concentrates on promotion of industries in rural areas, it is proposed to amend the definition of "village industries" contained in the Act, so that in future, only units in 'rural areas' will receive KVIC support. A saving clause has been provided so that existing units in other areas continue to receive KVIC support. Since new categories of industries are coming so that rural industrialisation can be promoted at a faster pace than now, it is proposed that all industries located in rural areas are eligible for KVIC assistance provided the investment on plant, machinery, land and building is less than Rs. 15,000 or such other sum as may be specified from time to time for every job created. It is also proposed to broadbase the functions of the KVIC so as to cater to the needs of the changing industrial scene in the country. The duties and responsibilities of the chairman, the Chief Executive Officer and the Financial Adviser are also proposed to be re-defined so that their areas of work are clearly demarcated.

4. In order to discharge the new responsibility of the Commission in promoting village industries, it is proposed to strengthen the Commission and increase the maximum membership to twelve. In the expanded Commission, all the six regions of the country will find membership; the Commission would also include expert members so that gains of science and technology are made available to the rural society. It is also proposed to appoint the Financial Adviser as a member of the Commission in pursuance of the recommendations of the Public Accounts Committee. The Chief Executive Officer is being inducted as Member-Secretary to discharge administrative and other functions.

5. The term of the members of the Commission is proposed to be increased from 3 to 5 years to lend long-term stability and continuity to the development programmes. A provision is also proposed to be made in the Act for removal of members of the Commission in case it becomes necessary.

6. According to the proviso to sub-section (2) of section 14 of the Act, no person whose honorarium or maximum salary exceeds rupees five hundred per month can be appointed by the Commission except with the previous approval of the Central Government. This has resulted in considerable administrative delays in matters relating to appointments

to posts carrying maximum honorarium or maximum salary of more than rupees five hundred per month It is therefore, proposed to omit the proviso

7 Section 18 of the Act provides for two separate funds of the Commission called the 'Khadi Fund' and the 'Village Industries Fund', under which grants and receipts in respect of Khadi and Village Industries are credited Miscellaneous grants and receipts received by the Commission for research and development, setting up of training institutions under TRYSEM, etc., relating to both Khadi and Village Industries, therefore, cannot be bifurcated. It is proposed to provide for the creation of a third fund called 'the General and Miscellaneous Fund'.

8. Presently, the Act does not provide for enabling powers to Government to give retrospective effect to the KVIC Regulations concerning emoluments and pension rules for KVIC employees The changes in the emoluments and pension rules of the Central Government are, therefore, extended to KVIC employees with a time-lag It is proposed to insert suitable provisions in the Act for enabling it to give retrospective effect to the KVIC Regulations which will be beneficial to KVIC employees.

9 The present opportunity is being availed of to include in the Act a provision for laying of the Regulations made under the Act also before each House of Parliament.

10 The Bill seeks to achieve the above objects.

NEW DELHI;
The 4th December, 1986.

M. ARUNACHALAM.

FINANCIAL MEMORANDUM

The amendments proposed to be made to the Khadi and Village Industries Commission Act, 1956 by the KVIC (Amendment) Bill, 1986 do not call for any new appropriation to be made by Parliament nor any new type of expenditure. One of the proposed amendments re-defines village industries eligible for KVIC support. Presently, by notification, any industry can be made eligible for KVIC assistance. Further, there is no restriction that the village industry should be located in a rural area. It is now proposed that for eligibility in future, the unit has to be located in a rural area. The units which are currently getting KVIC assistance are, however, protected by a saving clause. Further, it has been proposed that any industry with an investment of not exceeding Rs. 15,000 or such other limit as may be specified from time to time on plant, machinery, land and building for every full-time worker employed will be eligible for KVIC assistance. By these changes, the number of village industries which may be eligible for KVIC assistance would increase. However, there may not be any significant increase in the total quantum of assistance as a result of this increased coverage since the area of operation is now being limited to rural areas only. In any case, the additional impact cannot be expressed in monetary terms at this stage. Besides, any increase in expenditure on account of coverage or strengthening of the organisation will be contained within the levels of Plan and Non-Plan allocations currently being made.

2. It is also proposed to increase the maximum number of members of the Commission from 5 to 12 and the consequent increase in expenditure would be met out of the Non-Plan funds currently being provided to the Commission.

3. Another amendment proposes giving retrospective effect to the regulations framed by the KVIC for extending service benefits to its employees when corresponding rules and regulations for Central Government employees are changed. As the entire establishment expenditure of KVIC is being met by Government, provisions will be made in the budget as and when necessary, as is already being done now.

4. The other amendments do not have any financial implications.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 4 of the Bill seeks to amend section 4 of the Khadi and Village Industries Commission Act, 1956 to empower the Central Government to prescribe the six geographical zones of the country for the purpose of making appointment of members representing such zones to the Khadi and Village Industries Commission.

2. Clause 15 of the Bill seeks to amend section 27 of the Act to empower the Central Government to make regulations thereunder with respect to terms and conditions of service and the scales of pay and pension to be paid to the employees of the Commission with retrospective effect also. Such a power is necessary to give effect to decision for ameliorating with retrospective effect the conditions of service of persons governed by these regulations. Further it has been made clear that the power cannot be exercised so as to prejudicially affect the interests of any person who may be governed by the regulations.

3. The delegation of legislative power is, therefore, of normal character.

SUDARSHAN AGARWAL,
Secretary-General.

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